

ANALYSIS OF ORIGINAL BILL

Franchise Tax Board

Author: Brulte Analyst: LuAnna Hass Bill Number: SB 854
Related Bills: See Legislative History Telephone: 845-7478 Introduced Date: 02-23-01
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Homeowners and Renters Assistance Increase

SUMMARY

This bill would allow a 150% increase in homeowners and renters assistance (HRA) payments for low-income seniors and disabled individuals.

PURPOSE OF THE BILL

The author's office has indicated that the bill's purpose is to continue the one-time increase of 150% of SB 1664 (Karnette, Stats. 2000, Ch. 60).

EFFECTIVE/OPERATIVE DATE

As an urgency measure, this bill would take effect immediately upon enactment and apply to claims filed for the 2001 calendar year.

POSITION

Pending.

Summary of Suggested Amendments

Amendments 1 through 4 are provided to resolve the department's implementation concerns regarding conflicting effective dates of different provisions of the bill. Amendment 5 is suggested to provide appropriation language to fund the departmental costs associated with administering the HRA program.

ANALYSIS

STATE LAW

Existing state law authorizes the Franchise Tax Board (FTB) to administer and enforce the personal income tax and the corporation franchise and income tax laws. State law also authorizes FTB to administer several non-tax programs, one of which is the HRA program.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Department Director

Date

Gerald H. Goldberg

03/27/01

For HRA claimants, existing state law provides partial reimbursement of the previous fiscal year's property taxes on a personal residence paid directly by a homeowner and indirectly by a renter. Relief for homeowners and renters is based on a percentage of the amount of property tax paid in a given year. The percentage on which the reimbursement amount is based varies inversely with the applicant's income level and ranges from 4% to 96%.

To be eligible for assistance, the claimant's total household income for the prior calendar year cannot exceed an inflation-adjusted maximum amount (\$35,251 for calendar year 2001). Total household income consists of adjusted gross income (as computed for tax purposes) increased by income that is nontaxable for California tax purposes. Also, the gross household income cannot exceed \$64,093. Gross household income is total household income plus all non-cash business expenses such as depreciation, amortization, and depletion.

Claimants may file for assistance from July 1st through October 15th, inclusive. However, FTB may accept claims through June 30th of the year following the year for which assistance is claimed.

SB 1664 (Karnette, Stats. 2000, Ch. 60) provided a one-time increase of 150% in homeowners and renters assistance payments for low-income seniors and disabled individuals for claims filed for the 2000 calendar year. This increase raised the maximum homeowners assistance from \$326.40 to \$816 and the maximum renters assistance credit from \$240 to \$600.

THIS BILL

This bill would make permanent the 2000 calendar year increase of 150% in homeowners and renters assistance payments for low-income seniors and disabled individuals. The maximum homeowners assistance would be increased from \$326.40 to \$816 and the maximum renters assistance credit would be increased from \$240 to \$600. These amounts are calculated as follows and reflect the effective date of January 1, 2001, for income received during the 2000 calendar year and property taxes paid for the 2000/2001 fiscal year:

For homeowners assistance, the maximum assistance would be $\$34,000$ (maximum property value) \times 1% (property tax rate) \times 240% (percentage of tax) = \$816

For renters assistance, the maximum assistance would be calculated as $\$625$ (property tax equivalent) \times 96% (percentage of statutory property tax equivalent) = \$600.

IMPLEMENTATION CONSIDERATIONS

This bill specifies that the increase in assistance would be effective for the 2000 calendar year and each year thereafter. This bill also specifies that the previous lesser amounts would be effective for the 2000 calendar year and each year thereafter. The author's staff has indicated that it was the author's intent that only the provisions relating to the increased amounts of 150% have the new effective date language. Amendments 1 and 3 are provided to correct the language.

This bill specifies that the income figures are to be adjusted annually for inflation beginning with the 2000 calendar year. Amendments 2 and 4 are provided to correct the beginning year to 2001.

LEGISLATIVE HISTORY

AB 1036 (Pescetti, 2001/02) would allow mobile home owners that pay real estate property taxes to file a claim for either homeowners or renters assistance. This bill is in the Assembly Rules Committee. SB 218 (Dunn, 2001/02) is essentially identical to this bill. This bill is in the Senate Revenue and Taxation Committee. AB 385 (Strickland, 2001/02) would increase the homeowners maximum property value, the renters property tax equivalent, and the household income amounts. This bill is in the Assembly Revenue and Taxation Committee.

SB 1664 (Karnette, Stats. 2000, Ch. 60) provided a one-time 150% increase for claims filed for the 2000 claim year and changed the filing dates to submit claims. AB 1636 (Mazzoni, Stats. 1999, Ch. 928) provided that the term "residential dwelling" be expanded to include houseboats and floating homes. SB 1464 (Brulte, 1997/98) proposed increasing the income limits for the HRA program to properly reflect inflation. This bill remained in Assembly Appropriations, but identical language was enacted in the 1998 Budget Bill, AB 2797 (Machado, Stats. 1998, Ch. 322).

PROGRAM BACKGROUND

The program currently referred to as HRA began in 1968, initially providing relief to senior citizens in the form of property tax assistance. In 1977 the program was extended to renters. Beginning in 1979, totally disabled homeowners and renters, regardless of age, became eligible for the program.

OTHER STATES' INFORMATION

Massachusetts residents who are citizens of the city of Sudbury receive, under local law, a credit of \$100 towards their property taxes if they meet specific qualifications, such as:

- the owner or their spouse must occupy the real property as their personal residence for the entire year,
- the owner or spouse must be at least 65 years of age, and
- total property tax amount must exceed \$600.

Colorado residents that meet certain qualifications are eligible for a grant equal to the amount of the property taxes paid on a residence or mobile home. These qualifications include:

- the taxpayer must be at least 65 years of age or disabled,
- is not claimed as a dependency exemption by another person for Colorado income tax purposes, and
- has income from all sources for the taxable year of less than \$11,000 if single, or in the case of a husband and wife, less than \$14,700.

Minnesota provides a property tax refund, regardless of age, to homeowners and renters whose property taxes are disproportionately high to their income. If the property tax exceeds an income percentage threshold, a refund is issued that is equal to a percentage of the tax over that threshold.

FISCAL IMPACT

This bill would have a significant impact on the department. It is expected that that the total individuals that would file for the HRA program would increase to approximately 850,000. In order for the department to continue to process the increased volume of claims, the department would need 39.3 PY's. The department requests an appropriation for Fiscal Year 2001-2002 of \$2.482 million.

Amendment 5 is provided to suggest language for an appropriation to fund these departmental costs.

ECONOMIC IMPACT

Tax Revenue Estimate

Based on data and assumptions discussed below, additional assistance payments from this proposal are projected to be as follows:

Estimated Impact of SB 218 As Introduced February 14, 2001 Additional Assistance Payments (Rounded - In \$Millions)			
Claim Period	2001-02	2002-03	2003-04
Homeowners	(\$50)	(\$55)	(\$58)
Renters	(\$214)	(\$237)	(\$252)
T o t a l (Rounded)	(\$265)	(\$290)	(\$310)

Any possible changes in employment, personal income, or gross state product that might result from this provision are not taken into account.

Discussion:

For the 2000-01 HRA program, total payments are projected to be approximately \$60 million for 160,000 homeowners and nearly \$260 million for 490,000 qualified renters.

It is projected that for the 2001-02 Program, there will be over 807,000 approved HRA claims of which approximately 610,000 would be renters (with assistance of nearly \$320 million) and nearly 200,000 homeowners (with assistance on the order of \$75 million).

Estimates above were based on current filers, average claims paid, additional claimants due to projected California population growth (age group 62 and over), and an incentive effect for first-time filers. Additional assistance payments for homeowners and renters reflect the increment over prior law without the 150% increase.

ARGUMENTS/POLICY CONCERNS

The one-time 150% increase in assistance for the 2000 claim year created an unexpected increase in the volume of claims. This bill would make the increased assistance amount permanent, and the department is concerned with the possibility of fraudulent claims for the larger assistance amounts.

LEGISLATIVE STAFF CONTACT

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FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO SB 854
As Introduced February 23, 2001

AMENDMENT 1

On page 2, strikeout lines 6 through 33, inclusive and on page 3, strikeout lines 1 through 21, inclusive and insert:

(2) For claims filed with respect to the 2000 calendar year, the percentage of assistance for

AMENDMENT 2

On page 4, line 32, strikeout "2000", and insert:

2001

AMENDMENT 3

On page 5, strikeout lines 16 through 40, inclusive and on page 6, strikeout lines 1 through 24, inclusive and insert:

(2) For claims filed with respect to the 2000 calendar year, the percentage of assistance for

AMENDMENT 4

On page 7, line 35, strikeout "2000", and insert:

2001

AMENDMENT 5

On page 8, line 15, following "SEC. 3" insert:

(a) There is hereby appropriated from the General Fund for expenditure in the 2001-2002 fiscal year the sum of two million four hundred eighty two thousand dollars (\$2,482,000) for allocation to the Franchise Tax Board in augmentation of Item 1730-001-0001(2) of the Budget Act of 2001.

(b) Any funds that are allocated pursuant to subdivision (a) shall be expended by the Franchise Tax Board solely for the purposes of administration of the Senior Citizens Property Tax Assistance Law under Chapter 1 of Division 2 of Part 10.5 (commencing with Section 20501) of the Revenue and Taxation Code.

SEC. 4. This act makes an appropriation for the usual current expenses of the state within the meaning of Article IV of the Constitution and shall go into immediate effect.

SEC. 5.